

# Addressing Health Care Affordability in California

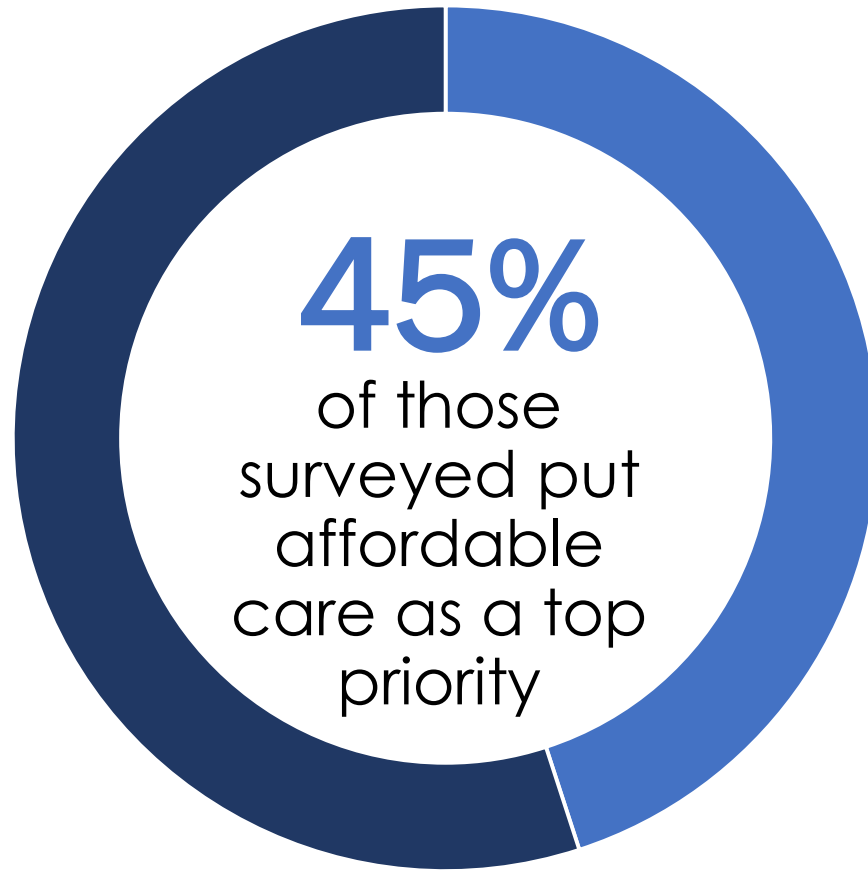
October 27, 2020



Christopher Whaley



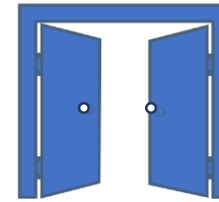
# Californians view health care costs as a top priority



## Specific priorities



Mental  
health  
care

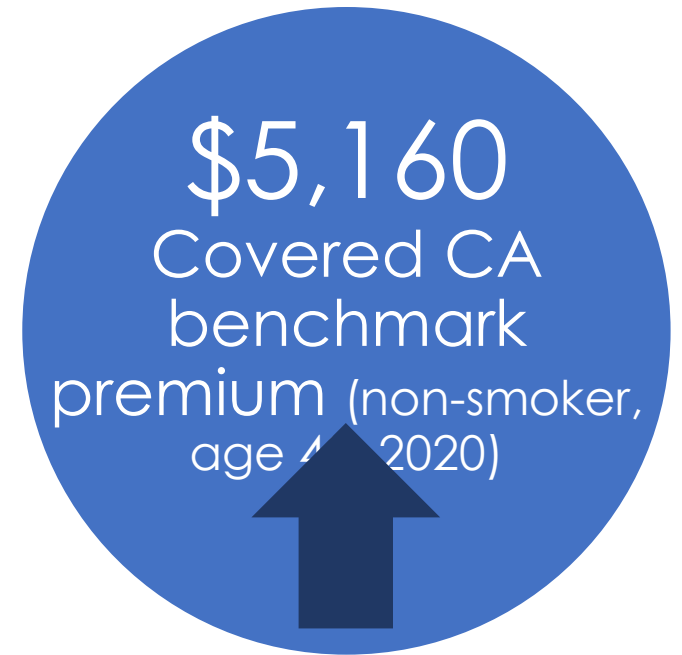


Increased  
access

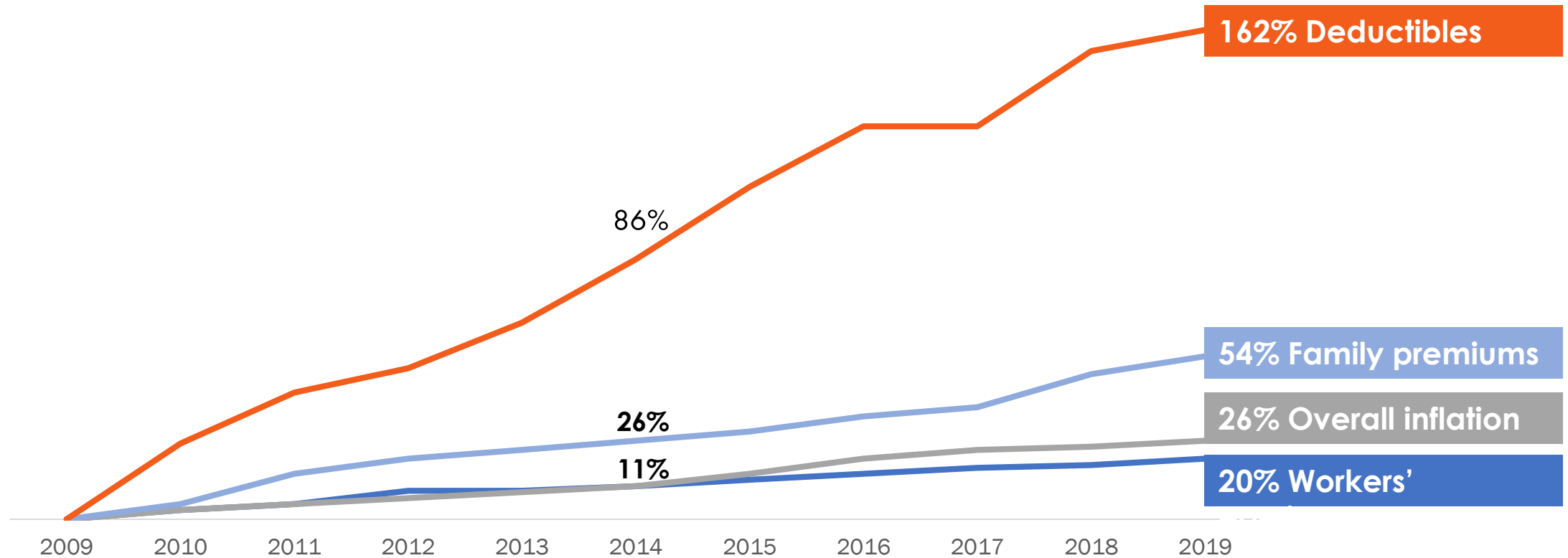


Lower  
costs

# California health plans have become increasingly unaffordable



# Over the past decade, premiums and deductibles have outpaced wages



# RAND looked at what employers and private plans pay for hospital care, relative to what Medicare pays

## *The New York Times*

### *Many Hospitals Charge More Than Twice What Medicare Pays for the Same Care*

By REED ABELSON.

The gap between rates set for private insurers and employers vs. those by the federal government stirs the debate over a government-run health plan.

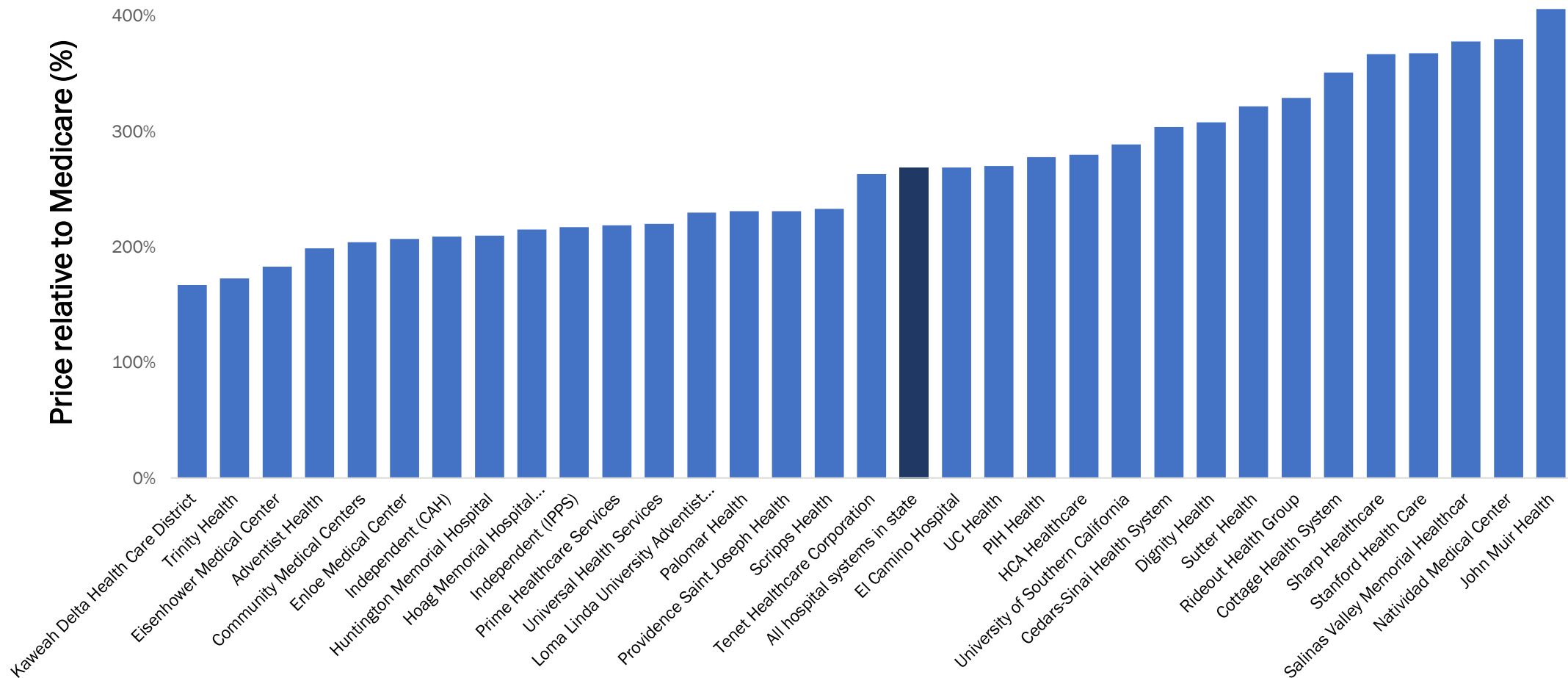


A new study shows that John Muir Health in Walnut creek, Calif., was the most costly system in the nation. Private insurers pay its hospitals four times what Medicare reimburses for care.

September 18, 2020

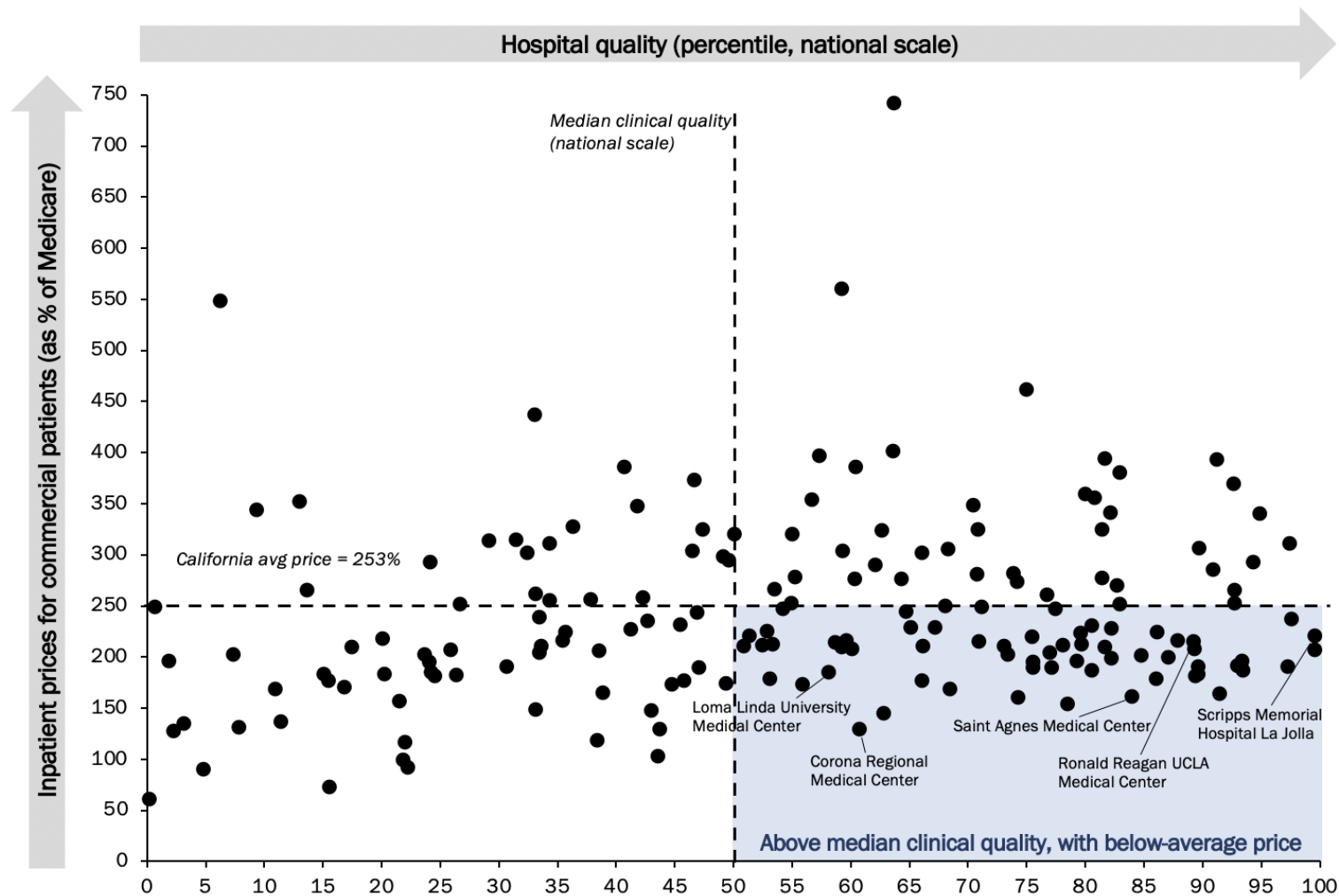
In 2018, private insurance prices for California hospitals averaged **269%** of Medicare rates, above the national average of 247%

# California hospital system prices vary widely



# Hospital price and quality also vary widely in CA, but there are many lower-price, high-quality hospitals

Hospital clinical quality & inpatient service prices for privately-insured patients in California



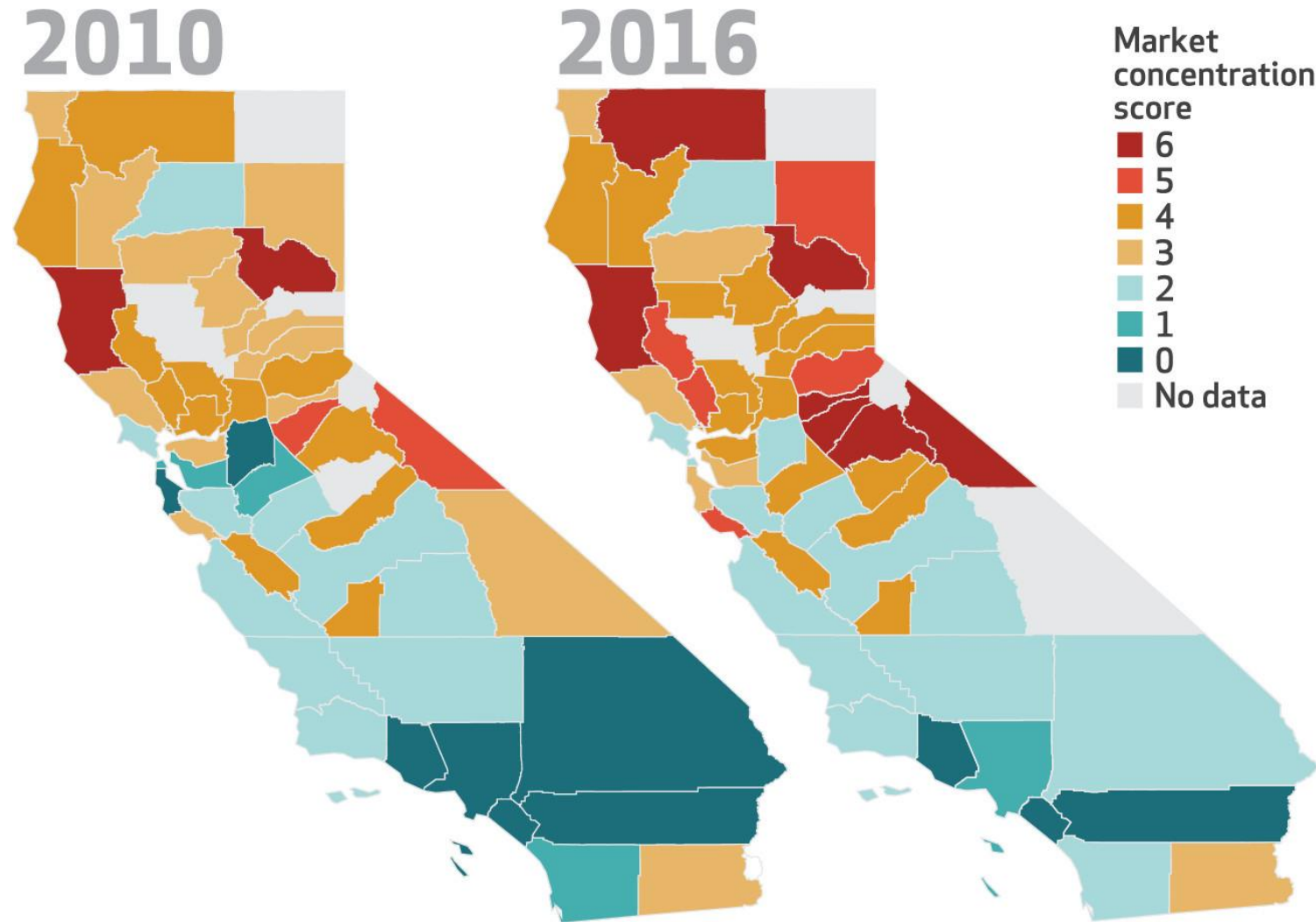
SOURCE: Dan O'Neill using data from RAND and the Lown Institute

# A Tale of Two Californias

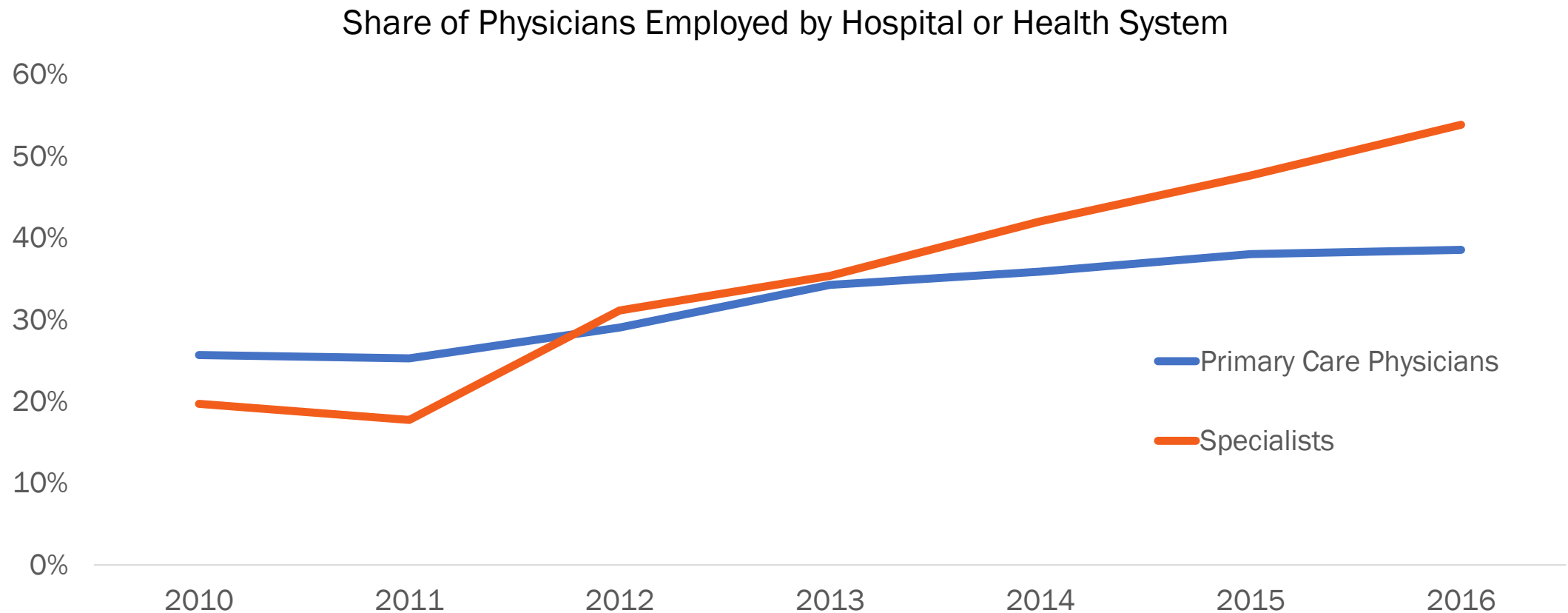
Northern CA	vs.	Southern CA		% difference
\$30,079	Inpatient Hospital Prices (2018) <sup>1</sup>	\$23,025	=	31%
280%	Hospital Prices (2018) <sup>1</sup>	227%	=	23%
2,994	Hospital Market Concentration (HHI) (2018) <sup>1</sup>	1,807	=	66%
\$10,889	Average ACA Silver Plan Annual Premium (Unsubsidized 55-Year-Old) (2020) <sup>2</sup>	\$7,605	=	43%
\$57,049	Average Income (2018) <sup>3</sup>	\$54,766	=	4%
\$436,416	Average Home Value (2019) <sup>4</sup>	\$550,510	=	-21%



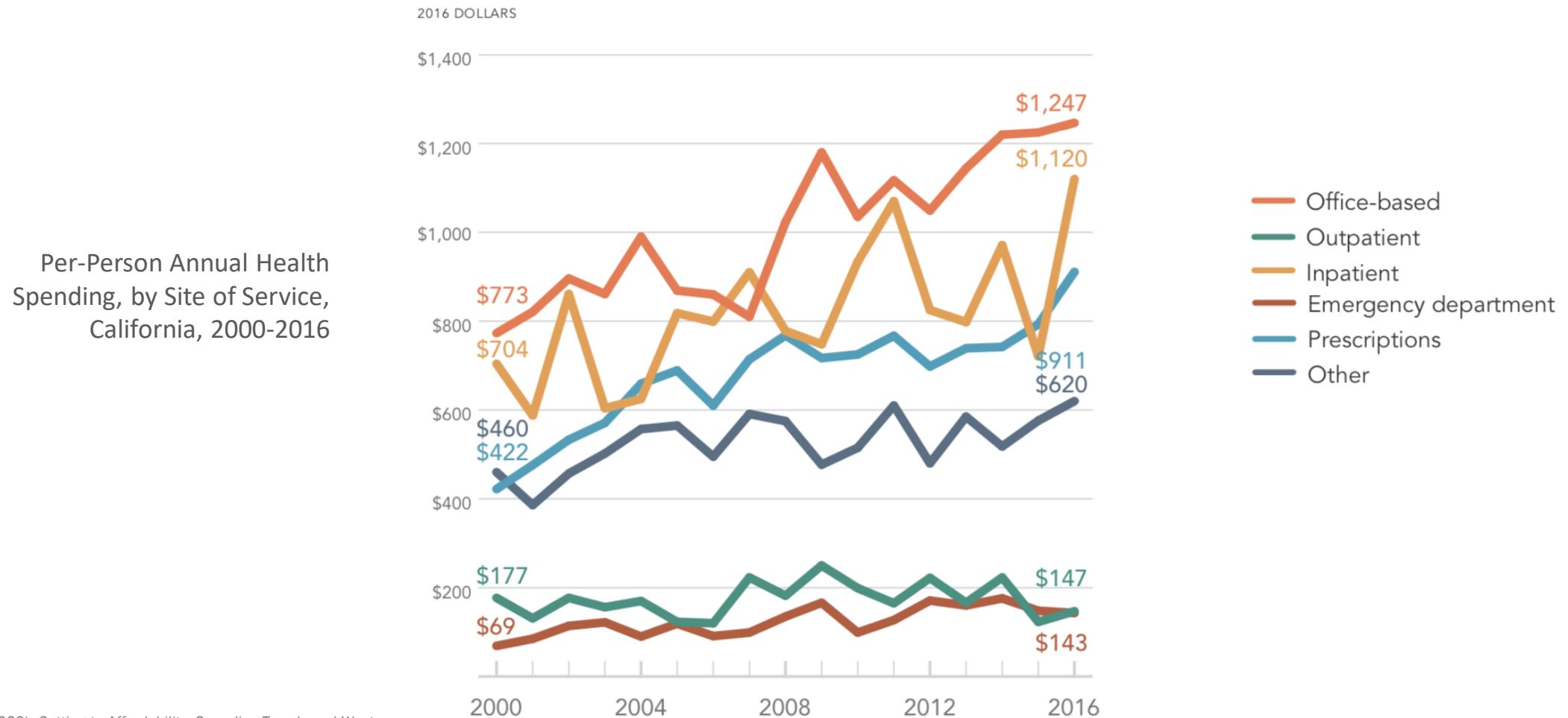
# Many Northern CA markets are concentrated



# Increasingly, California physicians are employed by hospitals or health systems

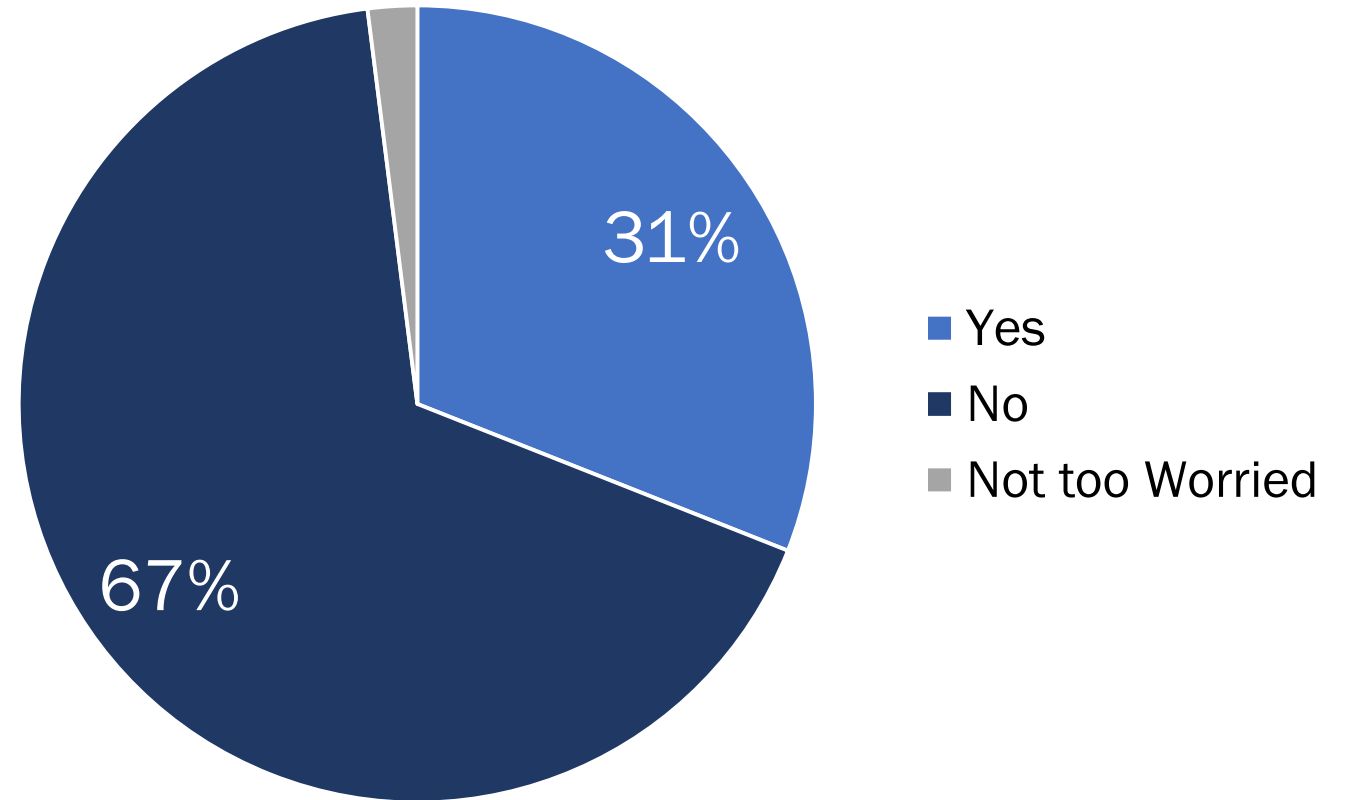


# Prescription drug costs—the fastest growing component of health care spending in CA—account for 21% of CA health care costs



# Almost a third of Californians have received a unexpected out-of-network bill

*“Was there a time in the past 12 months when you received care you thought was covered, and your health care did not cover the bill at all, or paid less than you expected?”*



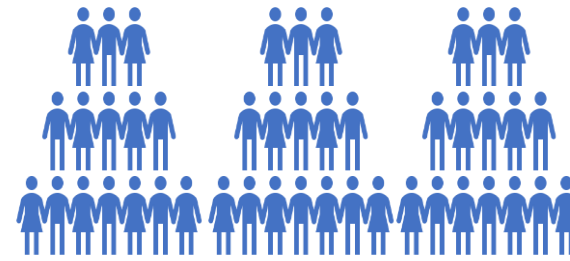
# Many California providers and patients rely on the public insurance system



176 FQHCs  
providing care  
for 4.1 million  
patients



36 Critical  
Access  
Hospitals for  
rural areas

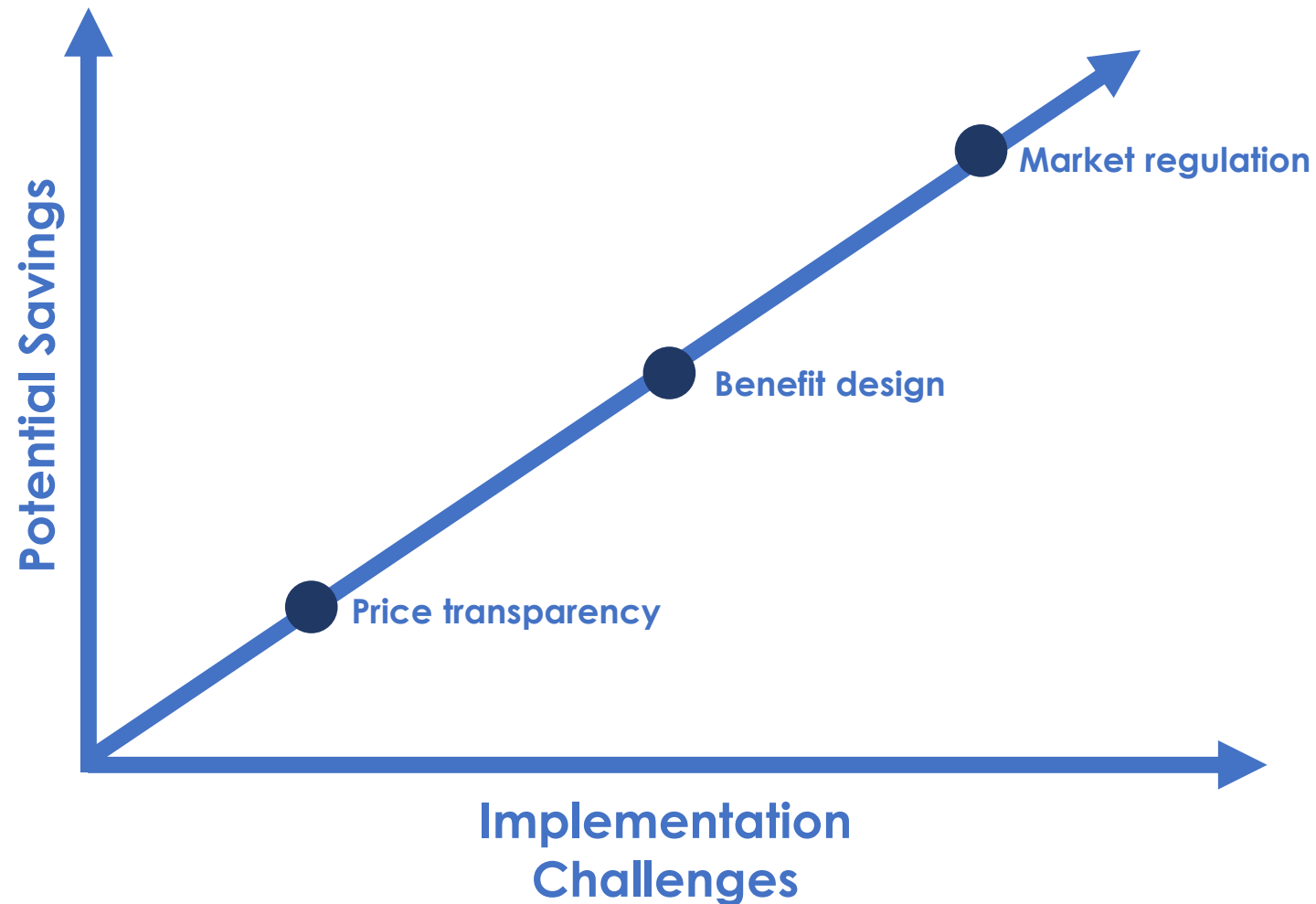


10.2 million  
Medicaid  
enrollees



2.7 million  
uninsured  
individuals

# Different policy options yield different savings—and require different levels of effort



# Addressing price transparency in California:



Promote All-Payer Claims Database (APCD)

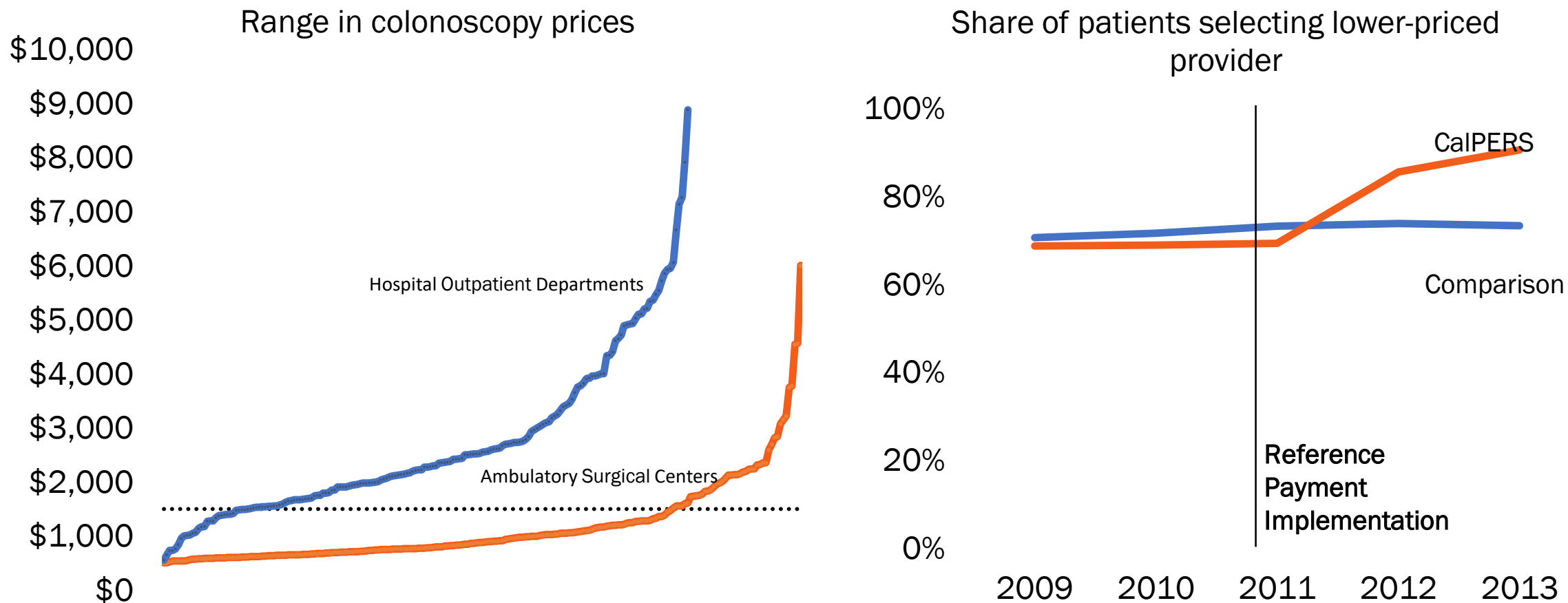


*Gobeille v. Liberty Mutual* limits states' ability to require self-funded insurance plans to contribute data to APCD



But California could require plans to contribute self-funded data to APCD in order to offer Covered California plans or administer benefits for CalPERS

# California public purchasers have used price transparency to inform innovations





# Policy considerations to address benefit design



CalPERS is one of the most innovative health purchasers in the United States



CalPERS has pioneered reference-based pricing, policies to address specialty drugs



CalPERS has developed models to address prices for outpatient, inpatient, and pharmaceutical services

# Policy considerations to ensure health care market competition:

1

## **Many Northern California markets are not competitive**

- Regulatory oversight of market consolidation

2

## **Consolidation driven by pricing differentials**

- Ban facility fees for non-facility services

3

## **Out-of-network bills**

- Capping out-of-network bills at 200% of Medicare would reduce CA hospital spending by 30%<sup>1</sup>
- Capping at state average would reduce spending by 27%

# Final thoughts

- The California health care landscape varies across the state
- High Northern California prices are driven by market concentration
- California can use transparency and market oversight to promote competition
- Ensure that low-income and safety-net hospitals can provide care for vulnerable patient populations

[illegible]